



RetireReadyTN Plan Comparison

457(b) Plan vs. 401(k) Plan

	457(b) Plan	401(k) Plan
	Before-tax Plan only	Before-tax 401(k) Plan After-tax Roth 401(k) Plan
Eligibility	<ul style="list-style-type: none"> State, Higher Education and Local Education Agency employees—upon date of hire or anytime thereafter. Local Government employees—upon employer adoption of the plan. 	
Annual contribution limit	<p>If you are under age 50: You may contribute up to \$19,500 in 2020 or 100% of your salary, whichever is less. This amount does not include any employer contributions.</p> <p>If you are age 50 or older: Take advantage of the Age 50+ Catch-up option. In 2020, you can contribute an additional \$6,500, for a total of \$26,000.</p> <p>Standard Catch-up: If you choose not to use the Age 50+ Catch-up contributions, Standard Catch-up is available during the last three calendar years before the year you attain normal retirement age. You may be eligible to make contributions up to a maximum annual contribution of \$39,000 in 2020.</p> <p>The Standard Catch-up and Age 50+ Catch-up cannot be used in the same tax year.</p> <p>The annual contribution limit may be indexed for inflation in future years. Check www.irs.gov for more information.</p>	<p>If you are under age 50: You may defer a combined maximum of \$19,500 in 2020 to the 401(k) Plan and the Roth 401(k) Plan. This amount does not include any employer contributions.</p> <p>If you are age 50 or older: Take advantage of the Age 50+ Catch-up option. In 2020, you can contribute an additional \$6,500, for a total of \$26,000.</p> <p>The annual contribution limit may be indexed for inflation in future years. Check www.irs.gov for more information.</p>
Hybrid plan contributions¹	Not applicable.	<p>If eligible, you're auto enrolled in the Hybrid Plan at 2% of your salary. You can voluntarily contribute more, up to 100% of your salary.</p> <p>Your employer will also contribute 5% on your behalf to the State's 401(k) Plan.</p>
Legacy plan contributions	You can contribute as little as \$10 per pay period or 1% of your salary, up to 100% of your salary.	You can contribute as little as \$10 per pay period or 1% of your salary, up to 100% of your salary.
Employer matching contributions	Not applicable.	<p><i>In order to receive the match, you must be contributing to the 401(k) Plan.</i></p> <ul style="list-style-type: none"> Employees of the State of Tennessee and Tennessee Public Colleges and Universities: Your employer may match your 401(k) contributions up to an annually appropriated limit. Check with your HR/Benefits Specialist or campus resource office for current information on employer matching contributions. Local Education Agency employees: Check with your HR/Benefits Specialist to determine the availability of a plan match. Local government employees: Check with your HR/Benefits Specialist to determine the availability of a plan match.

	457(b) Plan	401(k) Plan	
	Before-tax Plan only	Before-tax 401(k) Plan	After-tax Roth 401(k) Plan
Transfers/Rollovers out of the Plan <i>As with any financial decision, you are encouraged to discuss moving money between accounts, including rollovers, with a financial advisor and to consider costs, risks, investment options and limitations prior to investing.</i>	Funds may be rolled over into a 401(k) plan, a governmental 457 plan, a 401(a) plan, a 403(b) plan or an IRA once you have met the eligibility requirements for withdrawal. Please check with your new plan provider to determine if rollovers are allowed into your new plan. Funds may also be transferred to the Tennessee Consolidated Retirement System (TCRS) for purchasing prior service credit.	Funds may be rolled over into another 401(k) plan, a governmental 457 plan, a 401(a) plan, a 403(b) plan or an IRA once you have met the eligibility requirements for withdrawal. Please check with your new plan provider to determine if rollovers are allowed into your new plan. Funds may also be transferred to TCRS for purchasing prior service credit.	Funds may be transferred to a Roth IRA, 401(k) or other plan with a designated Roth account that accepts rollovers.
Saver's Credit	If eligible, you may receive a non-refundable tax credit of up to 50% on an annual contribution of \$2,000 in elective deferrals in addition to the tax deferral. This credit generally applies to joint filers with an adjusted gross income (AGI) of up to \$65,000 and single filers with an AGI of \$32,500 in 2020. Eligible participants must complete a federal income tax return and claim the credit on an appropriate form.		
Tax penalties	No 10% penalty tax for distributions of 457(b) money taken prior to age 59½. A 50% excise tax applies if minimum required distributions are not taken before April 1 of the year following the attainment of age 70½ or retirement, if later.	A 10% federal penalty tax may apply to distributions taken prior to age 59½. A 50% excise tax applies if minimum required distributions are not taken before April 1 of the year following the attainment of age 70½ or retirement, if later.	Premature distributions of any Roth earnings are taxed, plus a 10% penalty tax unless an exception applies. If a distribution is made from your account before you reach age 59½ and it is not due to death or disability, or if you have not reached the five-tax-year period beginning with your first Roth contribution, you will pay income tax on any earnings that are distributed.
Withdrawals	<p>Withdrawals may be taken if they meet the following criteria: retirement, disability retirement, unforeseeable emergency (as defined by the IRS and if allowed by your Program's provisions), severance of employment, death, purchase of service credits, distribution requested by a qualified retired public safety officer to be made directly to a health or long-term care insurance provider, or attainment of age 70½.</p> <p>Withdrawals must begin April 1 of the year following the year you turn age 70½ or the year of your retirement.</p>	<p>Withdrawals may be taken if they meet the following criteria: retirement, disability retirement, approved financial hardship (as defined by the IRS), attainment of age 59½, in-service distribution at age 60, severance of employment, death or purchase of service credits.</p> <p>Withdrawals must begin April 1 of the year following the year you turn age 70½ or the year of your retirement.</p>	
Loan provisions	None.	Active employees who have \$4,000 in the plan may borrow up to half of their account balance, not to exceed \$50,000. The \$4,000 minimum balance requirement is based on employee contributions only. Employer contributions are not eligible for loans. Refer to the Loan Brochure for details. If you leave employment while having an active loan, you must contact RetireReadyTN to obtain a coupon book to continue payments.	

Note: Statements regarding federal income tax requirements and plan rules are based upon the State of Tennessee's current understanding of the law and are subject to change as a result of subsequent amendments, regulations and interpretations. Participants are urged to consult their own tax advisors for advice concerning their particular circumstances.

The above is only a brief discussion of applicable tax requirements. Specific limitations and requirements are stated in detail in the Plan Documents and IRS regulations.

Money from other types of plans or accounts that are rolled over into a governmental 457 plan may still be subject to the 10% federal early withdrawal penalty upon distribution from the 457 account prior to the investor reaching age 59½.

¹ The hybrid plan, effective for new hires on or after July 1, 2014, or as of the Amendment Effective Date for certain local government employers, provides a combination of a defined benefit plan and a defined contribution plan. Contributions into the defined benefit portion of the hybrid plan are managed by the Tennessee Consolidated Retirement System (TCRS). Check with your HR/Benefits Specialist to determine the availability of plan options and your eligibility to participate.

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